

Department of Legislative Services
Maryland General Assembly
2026 Session

FISCAL AND POLICY NOTE
First Reader

Senate Bill 239 (Senator Lewis Young)
Budget and Taxation

Correctional Officers' Retirement System - Redeposit of Accumulated
Contributions - Alterations

This bill allows a member of the Correctional Officers' Retirement System (CORS) who was previously a member of the Employees' Pension System (EPS) or the Teachers' Pension System (TPS) and withdrew their contributions to redeposit their withdrawn accumulated contributions, plus interest, to receive CORS service credit equivalent to the service credit that was previously forfeited when the member withdrew their contributions. **The bill takes effect July 1, 2026.**

Fiscal Summary

State Effect: State pension liabilities increase, potentially significantly, but a reliable estimate is not feasible without data on past membership for eligible members, as discussed below. State pension contributions similarly increase by an indeterminate but potentially significant amount. Any costs are assumed to be allocated 60% general funds, 20% special funds, and 20% federal funds. No effect on revenues.

Local Effect: To the extent that eligible members of the CORS municipal pool deposit their member contributions into CORS for service credit, liabilities for the municipal pool increase. However, a reliable estimate is not feasible without data on eligible members, as discussed below. No effect on revenues.

Small Business Effect: None.

Analysis

Current Law: Members of CORS who previously terminated membership and withdrew accumulated contributions from CORS, the Employees' Retirement System (ERS), or the Teachers' Retirement System (TRS) may redeposit in a single payment the withdrawn accumulated contributions plus regular interest to receive CORS service credit for the period of employment during the former membership.

Membership in a State Retirement and Pension System plan terminates when a member (1) has been separated from employment for more than four years (or five years, for TRS members); (2) becomes a retiree; (3) withdraws accumulated contribution; or (4) dies. Termination for ERS and TRS members also occurs if they transfer to EPS or TPS, and termination occurs for EPS and TPS members when they are separated from employment and rehired into a position that requires enrollment in a part of the EPS or TPS that is subject to a different rate of member contributions and benefit accrual.

Exhibit 1 shows the employee contribution rate under each applicable retirement system. As the exhibit shows, ERS and TRS offered members two plans that differed based on cost of living adjustments (COLAs) for benefits. Members who chose selection A contributed 7% of their salary towards ERS or TRS and received COLAs that were not subject to rate caps, while members that chose selection B contributed 5% of their salary and received COLAs that were capped at 5%. Eligibility for ERS and TRS was limited to individuals hired on or before December 31, 1979.

Prior to July 1, 1998, EPS and TPS were noncontributory for most members. Chapter 110 of 2006 phased in an employee contribution rate for the two systems, from 2% in fiscal 2006 to 5% in fiscal 2009. Chapter 937 of 2011 made additional changes, raising the member contribution rate to 7.0%.

Exhibit 1
Pension Plan Contribution Rate

	<u>ERS/TRS</u>	<u>EPS/TPS</u>		<u>CORS</u>
	For Hires Before January 1, 1980	Hired Before July 1, 2011	Hired After June 30, 2011	
Employee Contribution	Selection A: 7.0% Selection B: 5.0%	None prior to 1998 2.0% (1998-2006) 3.0% in 2007 4.0% in 2008 5.0% (2009-2011)	7.0%	5.0%

Source: Maryland Annotated Code; State Personnel and Pensions Article

Purchase of Service Credit

A member of CORS may purchase service credit for periods of employment during which the member (1) would have been entitled to purchase service credit under ERS and (2) is not otherwise entitled to service credit under CORS. To purchase service credit under this circumstance, the member must pay in a single payment the *member* contributions (for CORS) that would have been made for the period of employment for which service credit is being purchased, plus regular interest. A member may pay for such service credit at any time before retirement.

A member of CORS may also purchase service credit for periods of employment for which the member is not otherwise entitled to service credit, including for up to 10 years for public or nonpublic school teaching service in the State. To purchase service under these circumstances, the member must pay the *employer and member* contributions required to fund the additional allowance. These purchases must be made in a single payment at the time of retirement.

State Fiscal Effect:

Changes in Unfunded Pension Liabilities from Accumulated Employee Contributions

The fiscal impact of the bill is determined in part by comparing the actual employee contributions and interest withdrawn from EPS or TPS and required to be redeposited under

the bill with the amount the member would have contributed, with interest, had the member earned the same service entirely under CORS. Because EPS and TPS contribution rates were lower than the CORS rate from 1998 to 2009, but higher than the CORS rate after 2011 (as shown in Exhibit 1), the bill could either increase or decrease State pension liabilities depending on when a member's prior service was earned. To the extent that a member's EPS or TPS service corresponds primarily to years in which contribution rates were below the CORS rate, the member likely withdrew, and thus must redeposit, an amount that is less than the CORS-equivalent amount while still being eligible to receive the full service credit. Consequently, the State must make up the difference, thereby increasing unfunded pension liabilities. Conversely, to the extent a member's service corresponds primarily to years in which the EPS or TPS contribution rates exceed the CORS rate, the member likely withdrew and, under the bill, must redeposit an amount more than the CORS-equivalent amount for the same service credit. The bill does not provide any offsetting credit or refund to a member whose redeposit exceeds the amount that would have been required under CORS, meaning that such a member would pay more for the same service credit, and unfunded pension liabilities decrease as a result.

The State Retirement Agency (SRA) advises that relevant service and salary data for affected CORS members is not available because the system does not retain membership and service credit data for withdrawn members. As a result, a reliable estimate of the bill's net effect is not feasible. However, SRA is able to confirm that 253 active CORS members have withdrawn their EPS or TPS member contributions and would be eligible to redeposit those accumulated contributions plus interest into CORS for service credit under the bill. Of those 253 members, 89 members would be able to redeposit member contributions less than the CORS-equivalent amount for service credit, 31 members would be able to redeposit member contributions equal to the CORS-equivalent amount for the same service credit, and 133 members would have to deposit more than the CORS-equivalent amount for the same service credit. Without knowing how many years of credit each member would claim, a reliable estimate of the net effect cannot be made.

In addition to the individual membership data needed to estimate the net effect on unfunded pension liabilities, any estimate of the net effect also requires knowing how many members from each group would take advantage of the opportunity to "buy back" their service credit, which cannot be known in advance.

For the system's actuarial valuation, CORS and EPS/ERS are valued together, totaling approximately 61,000 members. As the bill potentially affects only up to 253 members, it is likely that the overall effect of some or all of them redepositing withdrawn contributions to CORS is minimal and has no discernible effect on employer contribution rates for the State.

Changes in Unfunded Pension Liabilities from Accumulated Employer Contributions

A more significant effect of the bill on unfunded pension liabilities relates to employer contributions the State previously made on behalf of EPS or TPS members. When an individual leaves State employment and terminates membership in a pension system by withdrawing their accumulated member contributions plus interest, the employer contributions previously made by the State on that individual's behalf remain in the pension system. As a result, unfunded liabilities decrease because the system retains assets that were contributed to fund benefits that are no longer needed to pay benefits to the withdrawn member. Actuarial valuations incorporate assumptions about member withdrawals and terminations, but valuations may still be updated to reflect actual experience. Accordingly, it is likely that any change in liabilities associated with the termination of membership for the 253 CORS members who would be eligible under the bill to redeposit withdrawn contributions has already been recognized in the most recent actuarial valuations of EPS and TPS.

To the extent that eligible CORS members elect to deposit previously withdrawn EPS or TPS member contributions, plus interest, in exchange for service credit in CORS, CORS unfunded liabilities increase to reflect the employer contributions that are no longer available to pay their benefits in CORS. Should even a majority of eligible members elect to purchase this service credit, the resulting increase in unfunded liabilities is likely significant and results in a meaningful increase in State contribution rates beginning in fiscal 2029. However, a reliable estimate of this effect is not feasible without member-specific data and assumptions regarding how many eligible members would choose to buy back service under the bill. Costs are assumed to be allocated 60% general funds, 20% special funds, and 20% federal funds.

Local Fiscal Effect: The 253 members discussed above include CORS members who are employees of participating governmental units and have previously withdrawn EPS or TPS member contributions. To the extent that eligible members deposit withdrawn funds into CORS for service credit, liabilities for the CORS municipal pool increase. However, a reliable estimate is not feasible without specific data on the eligible members.

Additional Information

Recent Prior Introductions: Similar legislation has not been introduced within the last three years.

Designated Cross File: HB 312 (Delegate Simpson) - Appropriations.

Information Source(s): Bolton; State Retirement Agency; Department of Legislative Services

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js/mcr

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